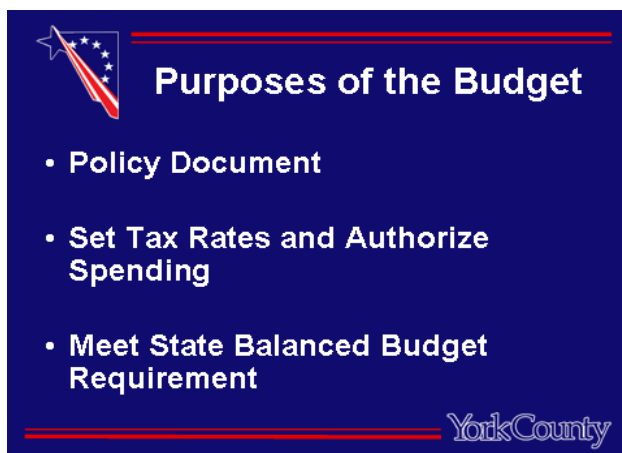




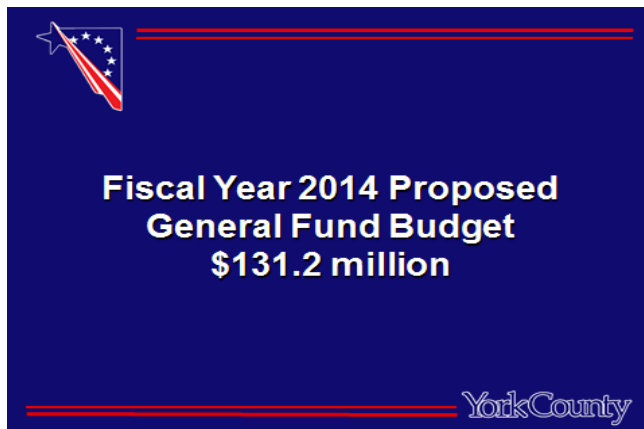
**Good evening Mr. Chairman, members of the Board, and York County citizens. Tonight I come before you to present the proposed Fiscal Year 2014 budget. As you have directed, I am proposing a budget that includes what I believe is the minimum amount of funding necessary to maintain the County's current level of service and provide a pay raise for all county employees. For your consideration, the proposed budget also includes additional County funding for the school division of \$2.3 million.**



**As always, the proposed budget meets all legal requirements and, most importantly, it**

**is balanced.**

**Preparing the proposed budget is a major undertaking, and I want to express my appreciation for the efforts of all involved, and specifically recognize the staff of the Budget and Financial Reporting Division for what I consider to be an outstanding job.**

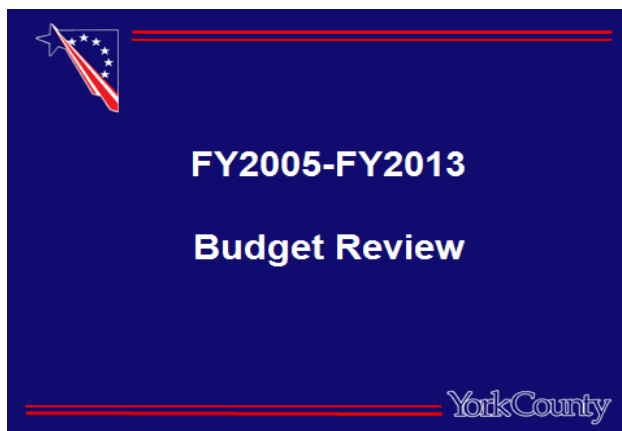


**The total Fiscal Year 2014 General Fund budget is proposed at \$131.2 million. This represents an increase in expenditures of \$4.0 million, or 3.2%. Of the \$4.0 million, \$2.3 million, or 57.5% of the increase is to fund the Schools, and the remaining \$1.7 million is for County requirements. The School Superintendent's proposed budget included a request for an additional \$2.9 million of County funding. However, \$600,000 of that amount was to pay employee costs associated with the state mandated changes to VRS; and because the County**


**did not pay these costs for County employees, I have not included this \$600,000 as a part of my proposed budget.**




**The real property tax rate is proposed at 76.45 cents, an increase of 2.3 cents.**



**Before getting into the details of the proposed Fiscal Year 2014 Budget, I would like to provide some background information that I believe will help put the needs and numbers in better perspective and help with your budget deliberations.**



	<b>FY2005</b>	<b>FY2009</b>	<b>Change</b>
<b>Operating Budget (in millions)</b>	<b>\$95.3</b>	<b>\$129.6</b>	<b>\$34.4</b>
<b>Population</b>	<b>62,400</b>	<b>64,900</b>	<b>4%</b>
<b>Consumer Price Index</b>	<b>183.6</b>	<b>204.3</b>	<b>11%</b>
<b>School Funding (in millions)</b>	<b>40.5</b>	<b>52.9</b>	<b>12.4</b>



From 2005 through 2009, the County's budget grew from \$95.3 million to \$129.6 million. This growth was driven by a number of factors, such as:

- From FY2005 to FY2009, population increased by approximately 4%
- And over this period, the consumer price index increased by 11%
- County funding for Schools grew from \$40.5 million to \$52.9 million
- State and federal unfunded mandates increased expenditures - as an example, a federal regulation change made by OSHA required the hiring of 11 additional fire fighters
- There was an increase of approximately 20% in commercial square footage.


While I'm on this topic, let me add that this increase includes the space constructed at the Marquis Shopping Center and at

**Riverwalk Landing. With regard to the Marquis, the public infrastructure for this project was financed through bonds issued by the Community Development Authority, and these bonds are not debt of the County. If the new taxes generated from the shopping center are not sufficient to pay the debt service, the County has no obligation to provide any money to pay off the bonds. Also, for the governmental services provided by the County to the Marquis shopping center, the project is paying the County \$150,000 annually. Concerning the commercial area of Riverwalk Landing, I am happy to report that the operating costs, including the piers, have been, and continue to be, covered from the rents and docking fees generated by the project, and the bonds issued for the construction are being repaid from the portion of the lodging tax that, under state code, must be used for tourism. This means no general tax dollars are being used to support the commercial area of Riverwalk Landing.**


**To continue:**

- County services were expanded to meet growing demands:**
- 6 Firefighters were added to provide full staffing for the Seaford Fire Station**

- **20 Sheriff's Deputies were added**
- **The sports complex was opened – here I think it's important to note that our projections for concessions were off the mark. Our research at the time indicated we could expect annual concession sales of approximately \$650,000 at a cost of \$558,000, which would have resulted in a profit of about \$92,000. We never said that profits from concessions would pay the entire cost of operating the sports complex. While the contribution toward the operating cost from concessions has not been as great as we had hoped, we have now out sourced concession services, and they are generating a profit of approximately \$12,000 annually.**
- **And finally, to improve drainage way maintenance, a crew of 4 employees was added to the Storm Water Division.**




	<b>FY2009</b> (in millions)	<b>FY2013</b> (in millions)	<b>\$ Change</b> (in millions)
<b>School Operations</b>	<b>\$44.7</b>	<b>\$48.9</b>	<b>\$4.2</b>
<b>Non-School Ops</b>	<b><u>84.9</u></b>	<b><u>78.3</u></b>	<b><u>(6.6)</u></b>
	<b><u>\$129.6</u></b>	<b><u>\$127.2</u></b>	<b><u>\$(2.4)</u></b>




The period from 2009 through

2013 presents a much different picture. The County was heavily impacted by the recession and changing financial and economic conditions. The largest single impact was the closing of the oil refinery which resulted in a revenue decrease of approximately \$4 million, or about 3.2% of the operating budget.

During this same period, inflation increased by about 10%, and unfunded mandates required additional spending of more than \$1.5 million. Despite these and other cost increases, overall the County's operating budget was decreased by approximately \$2.4 million, falling from \$129.6 million to \$127.2 million.



<b>County &amp; School Funding</b>				
	<u>FY2009</u>	<u>FY2013</u>	<u>\$ Change</u>	<u>% Change</u>
County Budget, less School Funding	\$76,624,283	\$70,479,247	\$(6,145,036)	(8.02%)
School Division	<u>52,936,097</u>	<u>56,713,423</u>	<u>3,777,326</u>	7.14%
County Budget, less School Funding	<u>\$129,560,380</u>	<u>\$127,192,670</u>	<u>\$(2,367,710)</u>	(1.83%)



Over this period, funding for the County's top two priorities, Schools and Public Safety, increased. County support for Schools increased by about \$3.8 million, or 7.1%; and, after excluding the costs of services we provide to other jurisdictions and the Medic Transport billing program, Public Safety increased by about \$575,000, or 2%. Funding for other County operations decreased by about \$7.7 million, or 15.9%.



### Full-time Equivalents

<u>Department</u>	<u>FY2009</u>	<u>FY2013</u>	<u>Change</u>
General Administration	19.50	17.50	(2.00)
Judicial Services	31.50	30.75	(0.75)
Sheriff	110.75	110.50	(0.25)
Fire & Life Safety	143.00	142.00	(1.00)
Emerg Comm911/Radio Maint	28.00	26.50	(1.50)
Environ & Development Svcs	53.05	51.55	(1.50)
Finance & Planning	88.00	88.75	0.75
Education & Educational Svcs	33.50	32.50	(1.00)
General Services	68.00	56.40	(11.60)
Community Services	<u>29.00</u>	<u>25.00</u>	<u>(4.00)</u>
<b>Total</b>	<b><u>604.30</u></b>	<b><u>581.45</u></b>	<b><u>(22.85)</u></b>



In order to accommodate the decrease in funding of County operations, a number of actions were necessary: 22.85 positions were cut; equipment and capital expenditures were



postponed or eliminated; all non-critical positions were left open for a minimum of 90 days; and no salary increases were provided to employees.




### 2005-2013 Real Estate Tax Rates


<u>Calendar Year</u>	<u>Rate per \$100 Valuation</u>
2005	\$0.8175
2006	\$0.6975
2007	\$0.6975
2008	\$0.6575
2009	\$0.6575
2010	\$0.6575
2011	\$0.6575
2012	\$0.7415
2013	\$0.7415



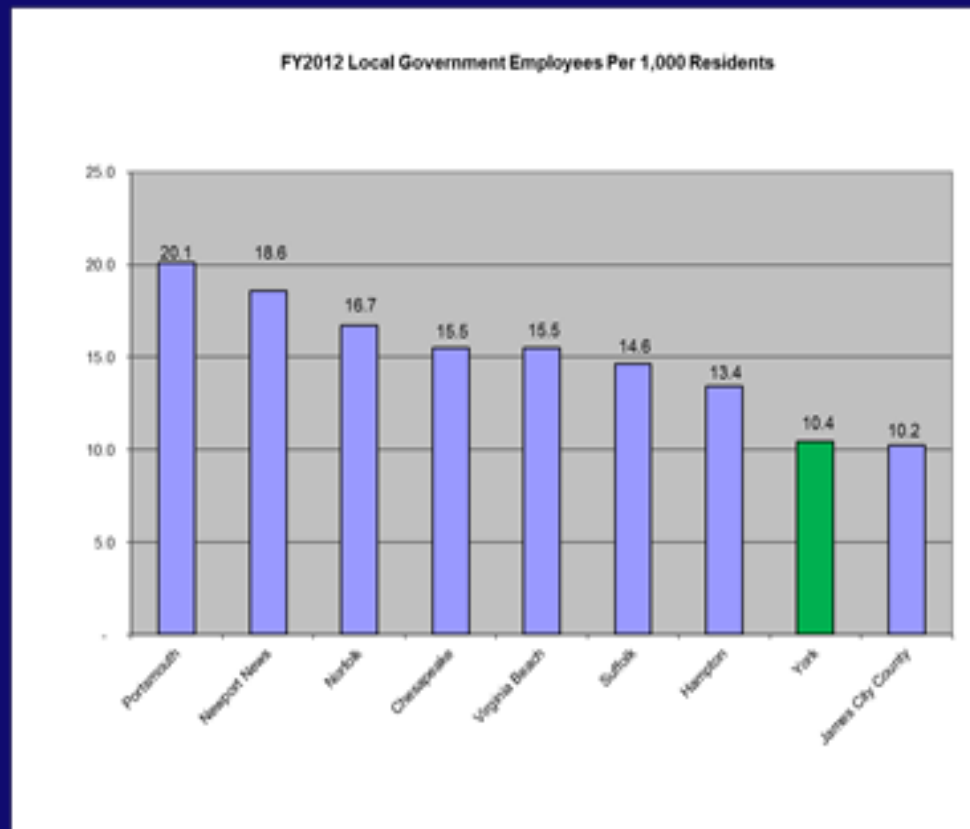
As this chart shows, since 2005 the nominal real property tax rate has decreased from 81.75 cents per \$100 dollars of valuation to 74.15 cents. This is not meant to imply that the effective tax rate has dropped. In fact, it has gone up. Each time the combination of the re-assessment and a tax rate change has resulted in an effective tax rate increase, it has been advertised as required by the Code of Virginia.



Portsmouth	\$1.27
Norfolk	\$1.11
Newport News	\$1.10
Chesapeake	\$1.05
Hampton	\$1.04
Suffolk	\$0.97
Virginia Beach	\$0.95
Poquoson	\$0.92
James City	\$0.77
York County	\$0.7415
Isle of Wight	\$0.65
Gloucester	\$0.65
Williamsburg	\$0.57

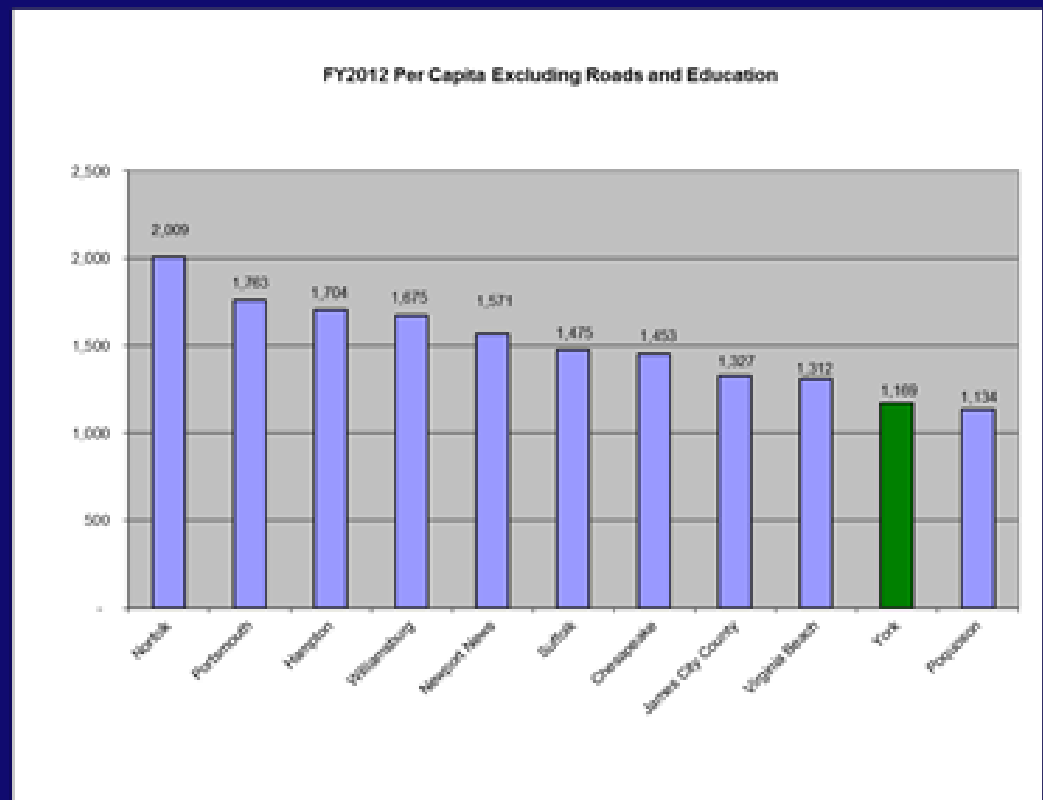


By comparison, the County has maintained one of the lowest tax rates in the region. Even with the proposed increase, and before considering any increases that other jurisdictions may enact as a part of their FY2014 budgets, we are still at the low end of the range.



YorkCounty

As to the number of employees per 1,000 citizens, we and James City County have the fewest in the region, 10.4 for York County and 10.2 for James City County.




YorkCounty

As this graph demonstrates, in terms of operating expenditures, excluding roads and education, on a per capita basis the County spends the next to the lowest amount in the region.





In this year's performance measurement section you may note some changes. Once again we used the International City/County Management Association's Comparative Performance Measurement Report to make a number of comparisons. ICMA has reworked some of the measures, so not all of those included in the FY2013 document are now available. The comparison groups are divided by population. Seventy-nine jurisdictions participated in York County's category, which includes localities with populations between 25,000 – 100,000.

The County has always strived to function at a high level of efficiency. The next two slides include the specific measures; and, as you can see, the County's results are favorable, and in several areas we are significantly below the average.




Performance Measurement		
Measure	York	Avg
Sworn Law Enf. Employees Per 1,000	1.50	1.75
Civilian Law Enf. Employees Per 1,000	0.33	0.46
Fire & Life Cost Per Capita	\$161.05	\$161.75
Building Permits Issued Per 1,000	56.32	45.18
Inspections Performed Per 1,000	264.13	141.30
IT Cost As % of Budget	1.40%	1.66%





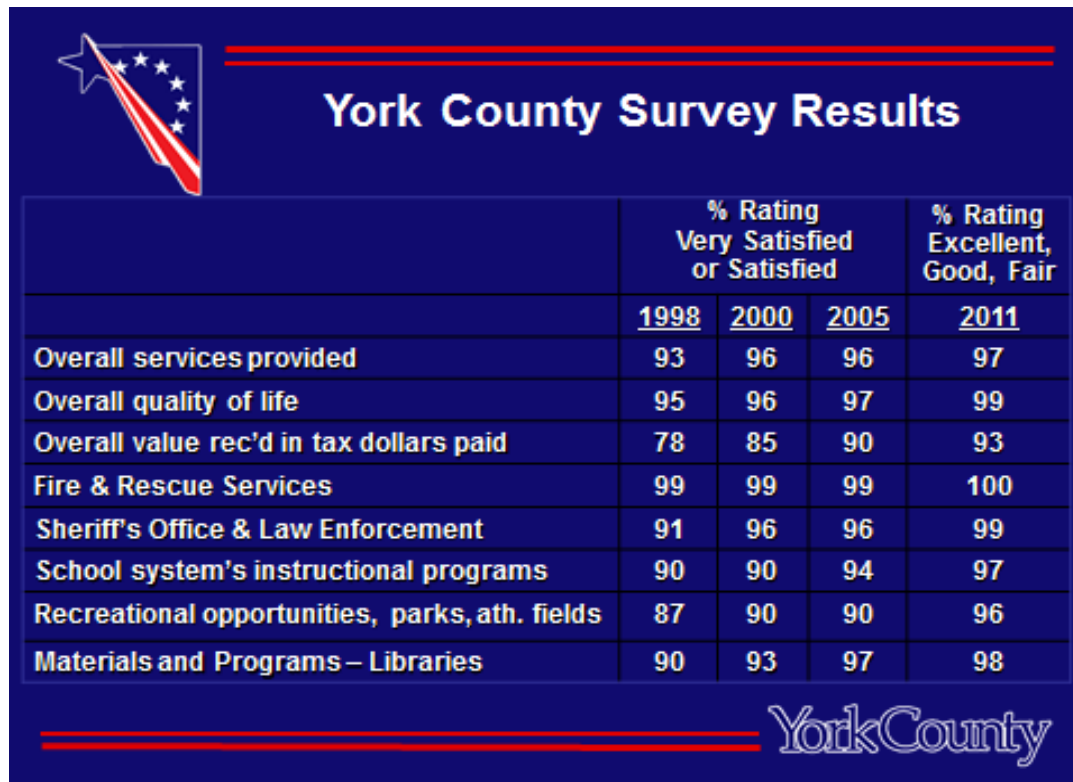
Performance Measurement (continued)		
Measure	York	Avg
Costs Per Registered Patron (Library)	\$27.36	\$47.47
Custodial Expenditures Per Sq. Foot	\$0.89	\$1.13
P & R Employees Per 1,000	0.20	0.44
Maintenance Costs Per Vehicle	\$1,970	\$2,837
Residential Refuse Collected Per Account (in tons)	1.16	.98
Recycling Material Collected Per Capita (in pounds)	150	132



While I'm on the topic of performance measurement, I would like to point out that, to act on the Board's interest in establishing a formal performance management system and to allow me to devote more time to mid- to long-range strategic planning, I have reorganized some of the County's operational functions. Please note that, while there are some shifts within the budget, all the reorganization has

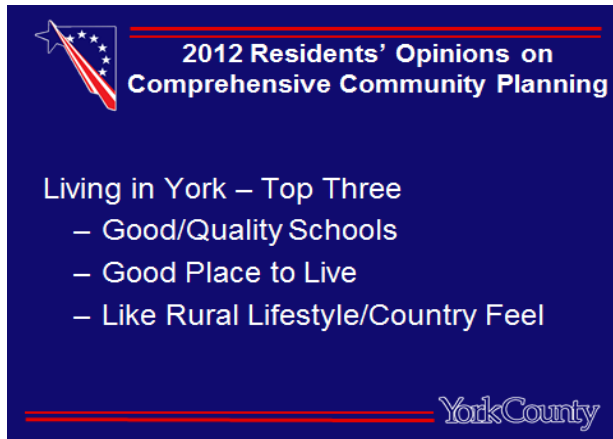
**been accomplished without increasing the budget. This new performance initiative will be an ongoing practice. It will involve actively working with customers and all employees to perform a comprehensive review of County programs and procedures, with a goal of continuously improving efficiency and quality of services delivered. It will also eventually be tied to a series of reports that will be available on the County's website to enhance transparency to County citizens.**





As directed by the Board, the County periodically contracts for a scientific, statistically valid, citizen satisfaction survey. This chart shows the results of some of the major categories included in the last survey. The rankings have always been high but, more importantly, they have increased over time.





As part of the ongoing Comprehensive Plan update, citizens were asked what three things they liked most about living in York County. The top three reasons given were good quality schools, that it is a good place to live, and the rural lifestyle.



The Proposed Fiscal Year 2014 Budget represents the culmination of more than five months of staff effort. We have worked to develop a proposal that emphasizes the Board's priorities and direction. Accordingly, significant emphasis is placed on Education and Public Safety.

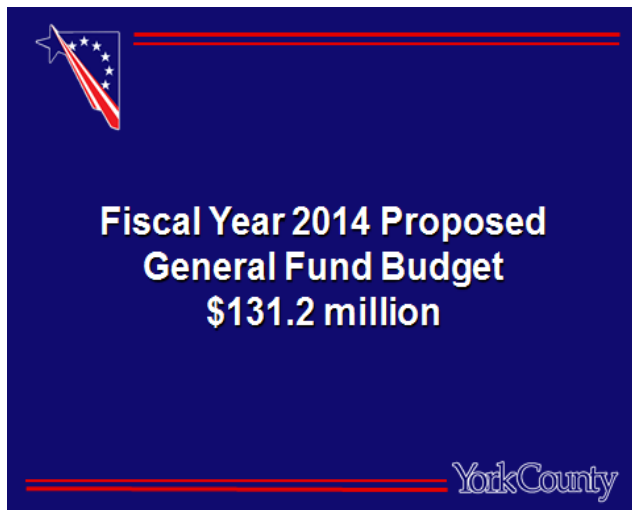
**The budget process is a continuous, ever-changing cycle that starts with guidance from the Board of Supervisors and, in turn, from the County Administrator. As you did this year, the Board typically establishes guidelines at the beginning of the budget process.**

**Though departments do have data from the past year's budgets to work with, every budget starts with a clean slate. Each expenditure must be fully justified. Focusing on needs-based budgeting, staff does not take last year's budget and either add or subtract a certain percentage to come up with the next year's proposed budget. Every year is different, and every line must be, and is, scrutinized to make sure the County is funding the necessary projects, programs, and personnel.**

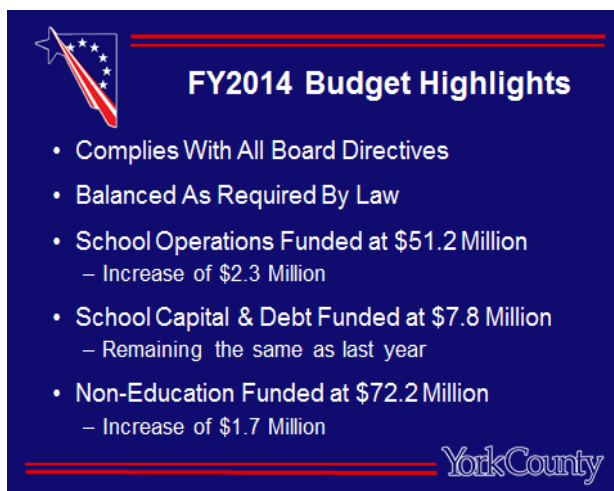


**The rest of tonight's**

**presentation will focus on the General Fund, which is the County's operating budget. Now let's take a look at some of the financial details of the Proposed Fiscal Year 2014 budget.**



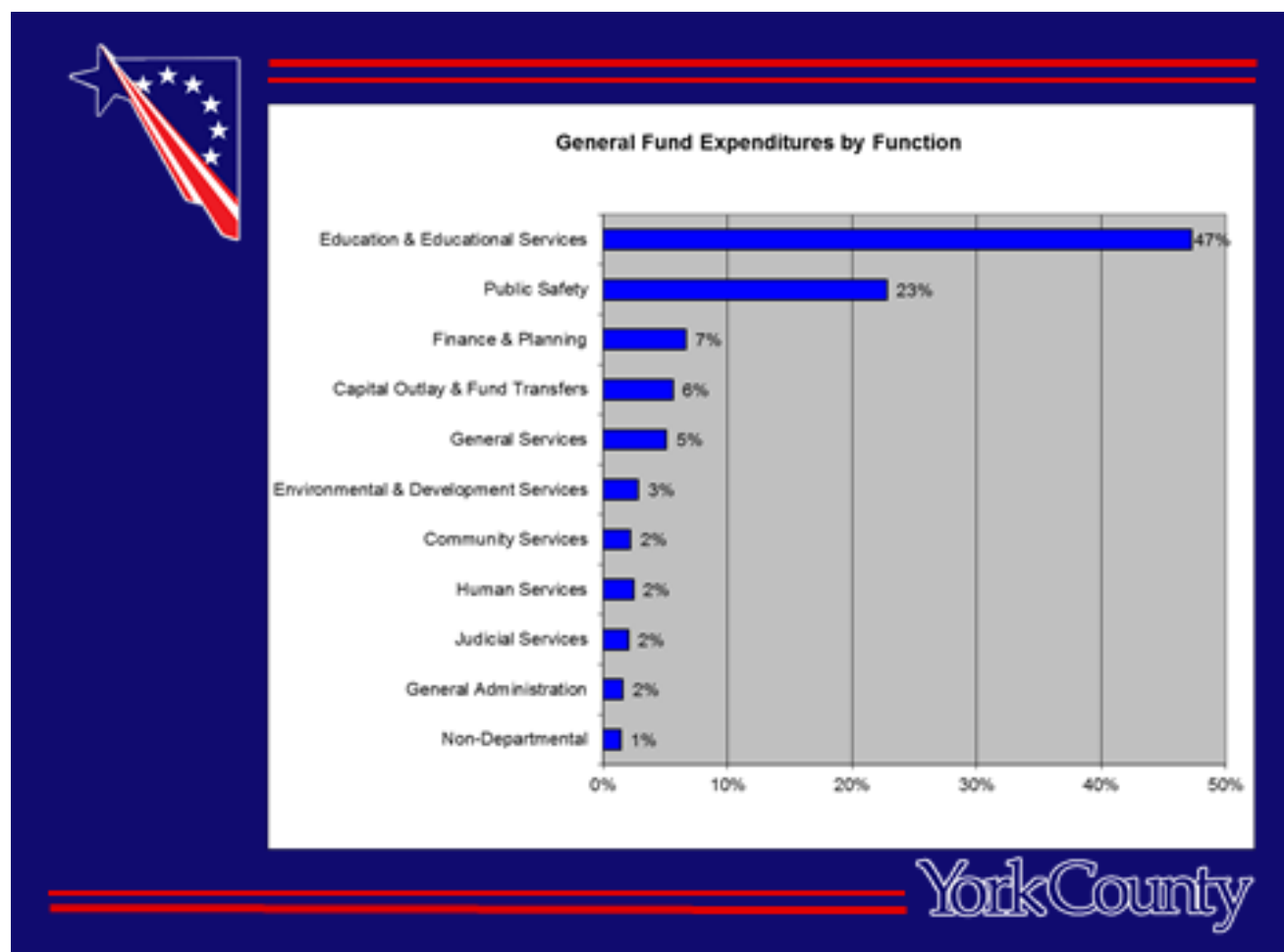
**As I mentioned earlier, the total proposed General Fund budget is \$131.2 million.**



**Highlights of the proposed budget include:**


- **It complies with all guidelines set forth by the Board**
- **It is balanced as required by law**

- It includes a proposed real property tax rate increase of 2.3 cents
- Other tax rates are proposed at their current levels
- Funding for School Operations is included at \$51.2 million, an increase of approximately \$2.3 million, or 4.8%.
- Non-Education Funding is proposed to increase by approximately \$1.7 million, or 2.5%




The following chart shows General Fund expenditures by

functional area and clearly demonstrates that, at 47% of the total, Education (including Library Services) is by far the largest single expenditure and priority in the General Fund. Public Safety at 23%, while well behind Education, is far ahead of other General Fund expenditures, and is also a strong priority.




	FY2013 (in millions)	FY2014 (in millions)	\$ Change (in millions)
School Division	\$56.7	\$59.0	\$2.3
Public Safety	<u>29.7</u>	<u>30.1</u>	<u>0.4</u>
Subtotal	<u>86.4</u>	<u>89.1</u>	<u>2.7</u>
Other Functions	<u>40.8</u>	<u>42.1</u>	<u>1.3</u>
Total	<u>\$127.2</u>	<u>\$131.2</u>	<u>\$4.0</u>




The proposed budget includes funding that will accommodate a pay raise equivalent to 2% for all county employees. However, the 90-day minimum hiring freeze will continue for the foreseeable future, and even then only essential positions will be filled. In addition to the 22.85 positions eliminated from 2009 to 2013, there are 2.05 FTE's eliminated in the proposed FY2014 budget, bringing the total to 24.9 positions that are not funded for Fiscal Year 2014. For the first six months of FY2013, over \$250,000 has been saved county-wide by


holding positions vacant. Of this amount, \$175,000 was saved in the General Fund and \$75,000 in the Sewer Utility Fund.




	<u>FY2013</u>	<u>FY2014</u>	<u>\$ Change</u>
General Administration	\$2.0	\$2.1	\$ .1
Judicial Services	2.7	2.7	0
Public Safety	29.7	30.1	.4
Environmental & Devel. Svcs	3.7	3.7	0
Finance & Planning	8.7	8.8	.1
Library & Coop. Ext.	2.7	2.7	0
Human Services	3.2	3.2	0
General Services	6.4	6.7	.3
Community Services	3.0	2.9	(0.1)
Capital Outlay & Fund Transfers	7.2	7.3	.1
Non-Departmental	<u>1.2</u>	<u>2.0</u>	<u>0.8</u>
<b>Total</b>	<b>\$70.5</b>	<b>\$72.2</b>	<b>\$1.7</b>



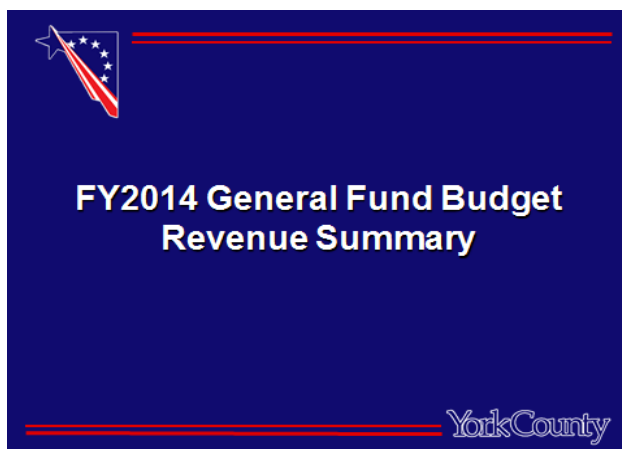
This slide shows proposed expenditures, other than funding for the school division, by functional area. As you can see, the proposed total is up by approximately \$1.7 million.



<b>County:</b>		
Employee Compensation, 2.00%	\$725,000	
Health Insurance increase (10%)	400,000	
PPACA (Obamacare)	65,000	
Other	<u>510,000</u>	\$1,700,000
<b>School Division</b>		<u>2,300,000</u>
<b>Total Expenditure Increases</b>		<u>\$4,000,000</u>



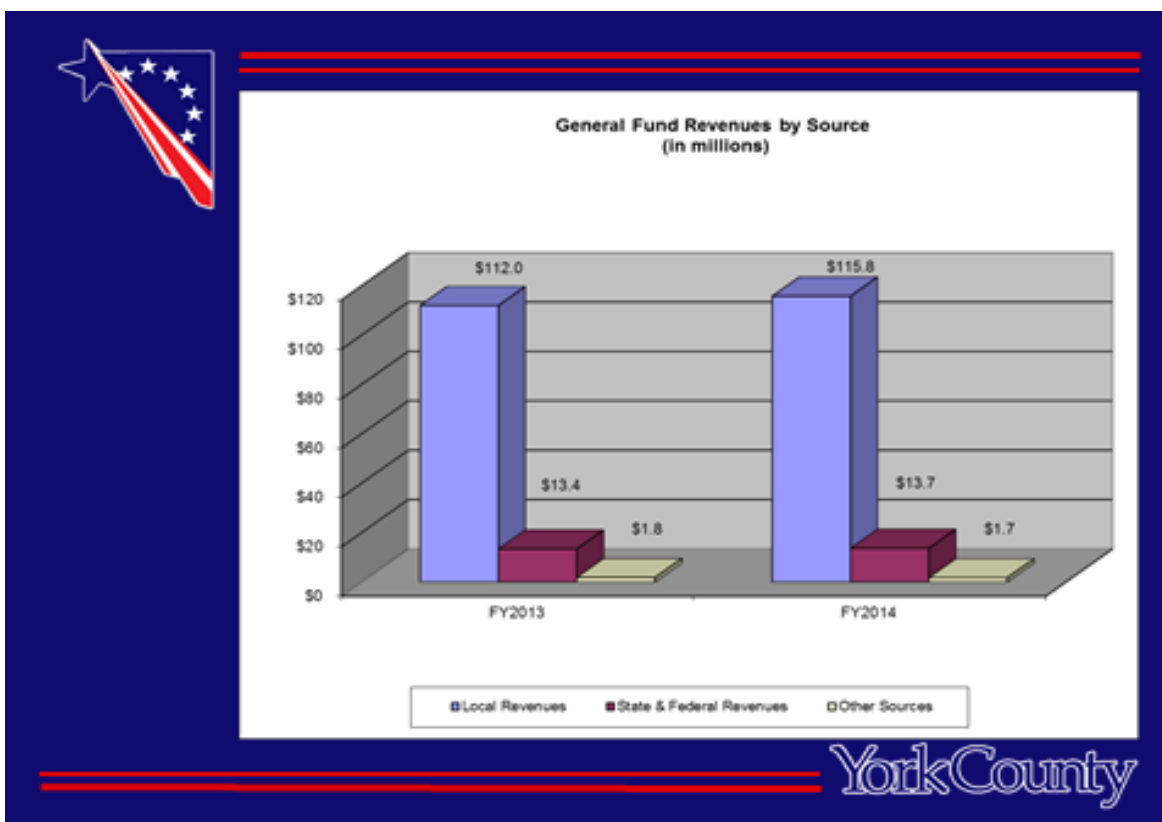
The major items that are included in this change are: an increase of approximately \$725,000 to fund the proposed pay raise for employees; \$400,000 for the County's share of a health insurance cost increase; and \$65,000 for the Patient Protection and Affordable Care Act (commonly referred to as ObamaCare).



**Moving away from expenditures,**


General Fund Revenue Summary			
	FY2013 (in millions)	FY2014 (in millions)	\$ Change (in millions)
Property Taxes	\$78.9	\$82.1	\$3.2
Other Local Taxes	28.0	28.4	0.4
Other Local Revenue	5.1	5.3	0.2
State & Federal Revenue	13.4	13.7	0.3
Other Sources	1.8	1.7	(0.1)
Total	\$127.2	\$131.2	\$4.0

As this chart shows, if the Board were to adopt the Fiscal Year 2014 Budget as proposed, revenues are projected to increase by about \$4.0 million from Fiscal Year 2013. Approximately half, or \$2 million, of this amount would be from a Real Property Tax rate increase of 2.3 cents.





Local revenues, including county taxes, are projected at \$115.8 million and make up 88.3% of the total. State and federal revenues are projected at \$13.7 million, which represents 10.4% of the total. From Other Revenue sources, we are expecting \$1.7 million, or 1.3% of the total.



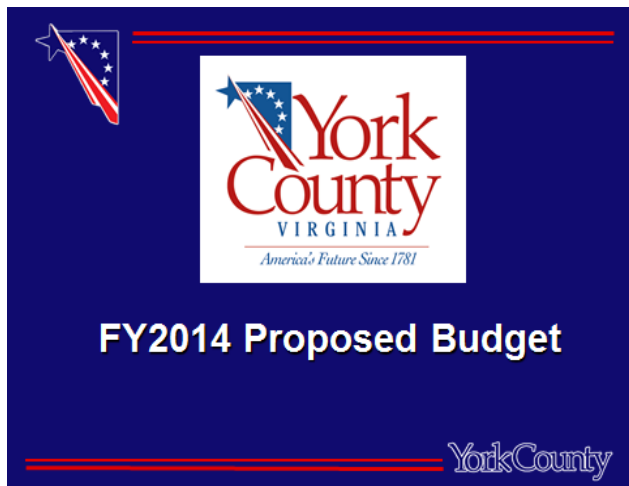
	FY2013 (in millions)	FY2014 (in millions)	\$ Change (in millions)
Property Taxes	\$78.9	\$82.1	\$3.2
Other Local Taxes	28.0	28.4	0.4
Other Local Revenue	5.1	5.3	0.2
State & Federal Revenue	13.4	13.7	0.3
Other Sources	<u>1.8</u>	<u>1.7</u>	<u>(0.1)</u>
Total	<u>\$127.2</u>	<u>\$131.2</u>	<u>\$4.0</u>

York County

The primary sources of revenue are General Property Taxes at \$82.1 million, and Other Local Taxes at \$28.4 million.

When combined, these two categories account for 84% of the \$131.2 million revenue total.

Other local revenues include permits, fees, fines, charges for services, and locally recovered costs. This category makes up \$5.3 million of General Fund revenues.



Before moving to closing remarks, there is one other area to be covered. During discussions conducted at this year's annual retreat concerning the Proposed Fiscal Year 2014 Budget, the Board directed that I include a section in the presentation outlining how the budget might be balanced without a tax rate increase. In order to do this, it would be necessary to make reductions of approximately \$2.0 million.

FY2014 Potential Budget Reductions	
Description	Amount
Fire & Life Safety	\$110,000
Sheriff's Office	110,000
Environ. & Development Svcs.	200,000
Community Services	200,000
Library	55,000
Tourism & Events (Shift to Tourism Fund)	85,000
Finance & Planning	75,000
Other Constitutional Officers (Sheriff included above)	90,000
School Division	1,075,000
Total	\$2,000,000

The image shows a slide titled "FY2014 Potential Budget Reductions". It contains a table with two columns: "Description" and "Amount". The table lists various departments and their potential budget reductions. The total reduction is \$2,000,000. The York County logo is visible in the bottom right corner of the slide.

This slide


**reflects the types of reductions that would have to be made to achieve that result. I recognize this list includes a number of highly desirable services; however, given the mandates under which we must operate, the priorities of the Board, and the magnitude and nature of the reductions already made to County operations, there are few alternatives. These reductions include:**

- Reducing Public Safety by a total of \$220,000 – this would require a reduction in support costs for the Sheriff and Fire and Life Safety.**
- Reducing Environmental and Development Services by \$200,000 – this would likely require service reductions in areas such as storm water and drainage maintenance.**
- Reducing Community Services by \$200,000 – this likely would impact services in areas such as Parks and Recreation, Housing, and Special Programs.**
- Reducing support for the Library by \$55,000 – this is equivalent to closing the library two days per week.**
- Transferring \$85,000 in support for tourism marketing to the Tourism Fund.**
- Reducing funding for Finance and Planning by \$75,000 - this would require a reduction in services provided by areas such as Financial and Management Services,**


**Economic Development, and Planning.**

- **Reductions to Constitutional Officers, other than the Sheriff, of \$90,000 – this would likely require reductions in services provided by the offices of the Treasurer, Commissioner of the Revenue, Commonwealth's Attorney, and Clerk of the Court.**
- **And finally, an additional reduction of \$1,075,000 in new funding for the School Division – this would still provide \$1,225,000 more than what is included in this year's budget and is the amount I have calculated that would be necessary to fund the local cost of a 2% pay increase for all school employees, provide the required funding for the next 1% of the phase-in of the employee retirement system contribution, and provide an additional \$250,000 for other School funding needs.**

**Whatever the Board's ultimate decisions are, staff and I will do our best to serve the County's citizens in accordance with direction provided by the Board; and, as always, we stand ready to provide additional information and make changes as you may direct.**

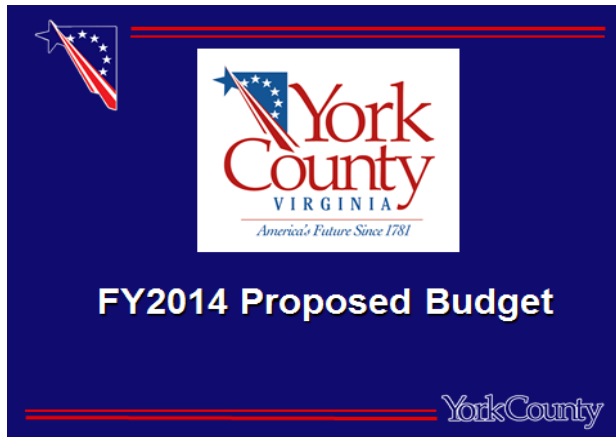


Important Budget Dates		
March 26 & April 2, 9 & 30	-	Board Work Sessions York Hall, East Room 6:00 p.m. - Live on Cable Channel
April 25 (Thursday)	-	Public Hearing York Hall, Board Room 7:00 p.m. - Live on Cable Channel
May 7	-	Scheduled Adoption York Hall, East Room 6:00 pm



Before closing, I would like to review several important budget dates.

A public hearing on the proposed budget is scheduled for 7:00 p.m. on Thursday, April 25, in the Board Room here in York Hall. It will be telecast live on the County's Cable Channel. In addition, the County has set up a special telephone line, 890-3220, for call-in comments, and citizens may also submit comments by way of the Internet. Individual budget comments made by citizens who properly identify themselves will be included in the record of the public hearing on April 25. The Board will hold several work sessions to address the proposed budget. Dates for these work sessions are March 26, and April 2, 9, and 30. Adoption of the budget is scheduled for the Regular Board meeting on May 7.



**This concludes my remarks,  
and I'll be happy to answer any questions.**